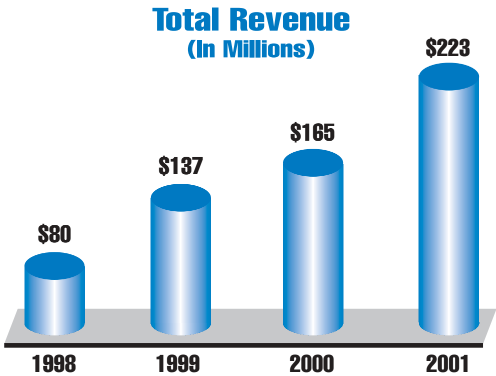
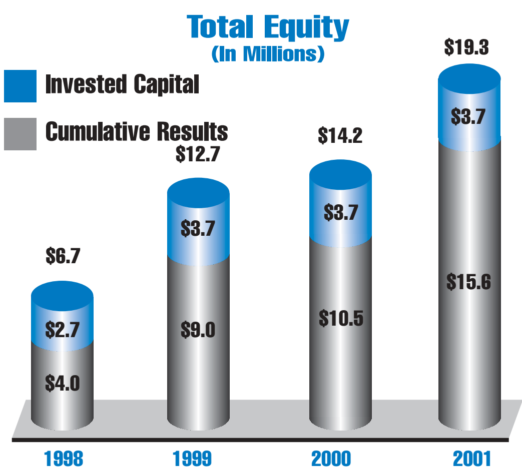

Financial Snapshot
A Focus on Controlled Growth!



Continued Growth

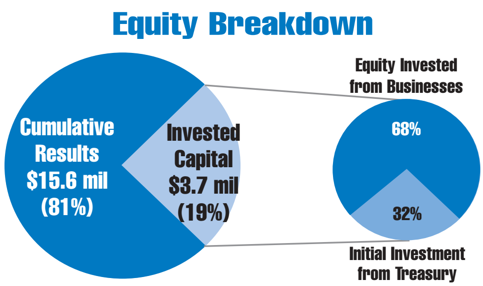
The Treasury Franchise Fund continued its impressive growth in FY 2001. The Fund's total revenue grew to more than $223 million, representing a 35% increase over the previous fiscal year and demonstrating the continuing demand for the Fund's products and services (See graph above).

Although growth by itself is not inherently good, growth for the Fund results in increased competition throughout the government and lower administration costs. In other words, as the Fund grows the government works smarter and the taxpayer wins.



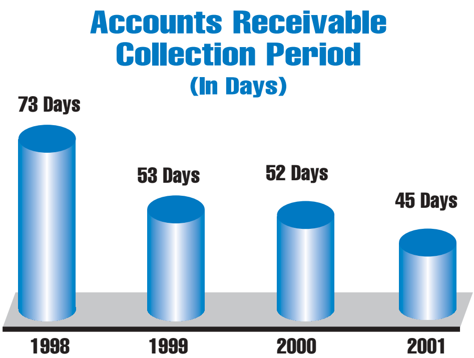
Financial Stability

The Fund has sustained a five-year expansion that has enabled it to develop a reasonable operating reserve (equity). The operating reserve is critical to the health and stability of the Fund enabling it to (i) sustain downturns in business brought about by unforeseen circumstances, (ii) pay for system and process enhancements and (iii) maintain an adequate cash flow. In FY 2001, the Fund's total equity grew to over $19.3 million (See graph below left). Cumulative results of operations since the Fund's inception total $15.6 million, which accounts for over three quarters of the Fund's total equity. The $3.7 million of Invested Capital represents $1.2 million initially invested by Treasury and $2.5 million invested by the individual businesses (See graph below).



A Strong Balance Sheet

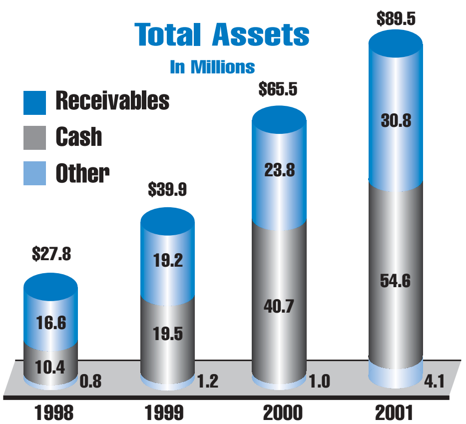
Total Assets, comprised primarily of cash and accounts receivables, increased by 37% to over $89.5 million (See graph on next page). This was primarily due to a $14 million increase in cash. Cash flow has continued to improve as evidenced by the accounts receivable turnover ratio (the average time it takes to turn earned revenue into cash). The benchmark for the accounts receivable turnover ratio is 60 days, which includes 30 days for billing and 30 days for collecting. In FY 1997, the Fund's first year, the accounts receivable turnover ratio was 86 days. The Fund has trimmed 41 days from this ratio to achieve an outstanding accounts receivable turnover ratio of only 45 days in FY 2001 (See graph below). This resulted from the Fund's continued effort to streamline its billing and collecting processes.



Another "Clean" Audit Opinion:

To add assurance to the financial stability, the Fund has received its fourth straight unqualified opinion on the audit of its financial statements. The independent auditors provide separate reports each year focusing on three key areas:

- Report on the Financial Statements
- Report on Internal Controls Over Financial Reporting
- Report on Compliance with Laws and Regulations



Improved Financial Reporting

The Fund has always been among Treasury's best in quality and timeliness of financial reporting. This is a direct result of the Fund using the Administrative Resource Center (ARC) as their accounting service provider. During FY 2001 this premise was put to the test as Treasury's Secretary, Paul O'Neil, challenged all Treasury entities to "close their books" in 3 days after the end of each month, as opposed to the standard 20 days. The new reporting requirement had to be implemented by June 2002.

ARC reacted quickly to ensure that the Fund (as well as the other Treasury entities they serviced) not only met the Secretary's challenge but exceeded it. ARC reviewed priorities, streamlined processes and worked with their customers to ensure the Fund met the Secretary's 3-day close challenge the very next month. By year-end, only 11 of the 25 Treasury reporting entities had met the Secretary's 3-day close requirement; ARC services 5 of those 11 entities.

The Fund continues to strive to set the example for efficiency and quality in the area of financial reporting. New goals have been set to make improvements to the timeliness of the year-end close processes and financial reporting. The Fund will work closely with ARC, its members, and the auditors to put a plan in place to have the year-end books closed and audits completed by the end of October. Currently this process is not completed until the end of December.